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Rokita files complaint against Indiana teachers association

Alleges fraud as fund lost track of \$23 million

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INDIANAPOLIS — Claiming that the organization has lost track of \$23 million, Indiana Secretary of State Todd Rokita's office sued the Indiana State Teachers Association on Wednesday.

The lawsuit is the latest in a series of financial troubles for the beleaguered 50,000-member association. Alleging securities fraud, the filing claims money supposed to be used for health claims for dozens of Indiana school corporations was mismanaged.

The Indiana State Teachers Association mixed that money with other funds, including payments to a long-term disability plan, and invested without school corporations' knowledge, according to the lawsuit filed in Marion Superior Court.

Now, the association cannot account properly for \$23 million that was intended for school districts, the lawsuit claims.

"The latest evidence indicates that (Indiana State Teachers Association) is now offering these Indiana school corporations pennies on the dollar in an effort to wipe away their liability," Rokita said.

The lawsuit alleges the association and the trust violated the Indiana Securities Act, saying both should have been registered as investment advisers, and that the association made untrue statements or failed to disclose information about the financial health of the arrangement and how school corporations' contributions would be invested.

The secretary of state's filing seeks to have the Indiana State Teachers Association's finances frozen and an independent party put in charge. The lawsuit is not expected to disrupt payments to disabled teachers. Indiana State Teachers Association spokesman Mark Shoup said the claims of 650 people who are entitled to benefits under the long-term disability plan are being paid.

Shoup said that although the lawsuit does "bring about some concern," it is too early to respond to specific allegations Rokita's office has made. He said the association's legal team is looking into the matter.

Earlier this year, the National Education Association took control of the association, but not local affiliates, after a state agency said the association's Insurance Trust had a net worth of negative \$67 million.

The Indiana State Teachers Association is suing former officials and financial advisers who it says mismanaged the insurance trust.

"We're not backing away from any situation," Shoup said. "We never have. We continue to try to do the right thing."

The Indiana State Teachers Association is suing former officials and financial advisers, saying they mismanaged the trust. The association also sold its downtown Indianapolis building to the National Education Association to raise money and laid off at least 40 employees.

Evansville schools dodged the situation by switching to another insurance provider ahead of time, said Marsha Jackson, a spokeswoman for the Evansville Vanderburgh School Corp.



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